



Executive Summary

The Indiana Department of Transportation (INDOT) is in the process of updating its 25-year Long Range Plan, which provides a vision for the future development of the state transportation system with an emphasis on the state's highway network. One of the nine issue and policy statements listed in the Long Range Plan focuses on economic development:

INDOT has a unique role in sustaining and fostering Indiana's economy and recognizes that policy decisions and transportation infrastructure investments have major effects on economic growth and development. To support economic competitiveness, INDOT will improve upon Indiana's high quality transportation system to reduce the cost of moving people, goods, and freight, connect Indiana with regional, national, and international markets, provide communities with an edge in competing for jobs and business locations, and connect people with economic opportunities.

To determine the effectiveness of the Long Range Plan at achieving this economic development goal, the consulting team of Bernardin, Lochmueller & Associates, Inc. and Cambridge Systematics, Inc. analyzed the economic impacts of the projects included in the proposed 2003-2027 update of the Long Range Plan. The analysis was limited in scope to "added capacity" highway projects. It does not include routine maintenance/preservation projects and investments in other modes of public transportation. Moreover, highway projects that have not been well defined in terms of their location or scope were excluded from the analysis.

The analysis treated direct benefits to users of the transportation system (cost savings) as productivity improvements that ripple through the economy. We then compared the total benefits of the Long Range Plan to its costs. We found that:

- ❖ Assuming a 7 percent discount rate, the Long Range Plan has a benefit/cost ratio of 4.6 and a net present value of \$13.8 billion in 2000 dollars.
- ❖ User benefits are estimated to total \$2.7 billion per year (in 2000 dollars) by the 2028 forecast year. This includes \$1.9 billion in travel time savings, \$236 million in vehicle operating cost savings, \$508 million in accident cost reductions.
- ❖ In 2028, the first year after all investments have been made, Indiana residents could be expected to enjoy an additional \$1.1 billion (in 2000 dollars) in real personal income.
- ❖ Other economic impacts of the Long Range Plan include 15,000 additional jobs *not* directly associated with construction of the Plan's projects and over-and-above those jobs expected to be created in the absence of the Plan. The Plan will also produce \$2.2 billion in additional Gross State Product, and \$4 billion in additional business output, all in 2000 dollars for the 2028



Economic Impacts of Indiana's Statewide Long Range Transportation Plan

forecast year. Additional jobs represent a cumulative impact, while Gross State Product and business output are annual impacts.

- ❖ The total discounted benefits of the Long Range Plan over the entire forecast period are estimated to be \$17.6 billion assuming a 7 percent discount rate. Discounted benefits include travel time savings for non-business trips, vehicle operating costs for non-business trips, accident cost savings for non-business trips, and real personal income. The personal income benefit captures the user benefits associated with all business-related trips, plus the indirect and induced effects of the transportation projects on the regional economy.
- ❖ The total discounted cost of the Long Range Plan, including capital costs, operating and maintenance costs, and residual value over the lifecycle of investments, is estimated to be \$3.8 billion assuming a 7 percent discount rate.